SOUTHERN NEW ENGLAND

TELEPHONE COMPANY

INFORMATION SERVICES INDUSTRY

MARKET RESEARCH STUDY

PHASE I

FINAL PRESENTATION

INPUT

PARK 80 PLAZA WEST 1

SADDLE BROOK, NJ 07662

JUNE 2, 1983

SOUTHERN NEW ENGLAND TELEPHONE COMPANY

PRESENTATION OUTLINE

I. REVIEW OF SNET OBJECTIVES

   A. PROJECT OBJECTIVES

   B. LOB OBJECTIVES

II. INFORMATION SERVICES INDUSTRY OVERVIEW

III. DESCRIPTION OF OPPORTUNITY SELECTION CRITERIA

IV. REVIEW OF SIGNIFICANT OPPORTUNITIES

V. EXAMPLE OF REJECTED OPPORTUNITIES

VI. RECOMMENDATIONS

SOUTHERN NEW ENGLAND TELEPHONE COMPANY

SECTION I

REVIEW OF SNET OBJECTIVES

INPUT

INFORMATION SERVICES ORGANIZATION

PROJECT OBJECTIVES

- TO DEVELOP A LINE OF BUSINESS PLAN TO SUCCESSFULLY CAPTIALIZE ON SELECTED OPPORTUNITIES IN THE INFORMATION SERVICES INDUSTRY
- TO GATHER AND ANALYZE DATA ON THE INFORMATION SERVICES INDUSTRY APPROPRIATE TO SNET'S NEEDS AND CAPABILITIES
- TO IDENTIFY THE BEST OPPORTUNITIES FOR SNET TO ENTER THIS INDUSTRY TO MEET SNET'S BUSINESS OBJECTIVES
- TO POSITION SNET FOR EXPANSION WITHIN THE INFORMATION SERVICES INDUSTRY

INFORMATION SERVICES ORGANIZATION

LINE OF BUSINESS OBJECTIVES

- TO ESTABLISH A FULL-SCALE SERVICE BUREAU ENVIRONMENT WHICH WILL PROVIDE THE COMPUTING FACILITIES TO SUPPORT THE TOTAL INFORMATION NEEDS OF THE MARKETS SNET SERVES

- TO ENHANCE THE CORPORATE GOALS OF SNET BY SIGNIFICANT CONTRIBUTIONS TO REVENUE GROWTH, PROFITS, AND COMPANY IMAGE WITHIN THE MARKETS SERVED AND WITHIN THE INVESTMENT COMMUNITY

- TO MAXIMIZE THE PRODUCTIVE AND PROFITABLE UTILIZATION OF EXISTING SNET RESOURCES IN THE FORM OF PERSONNEL, EXPERIENCES, AND EDP RESOURCES

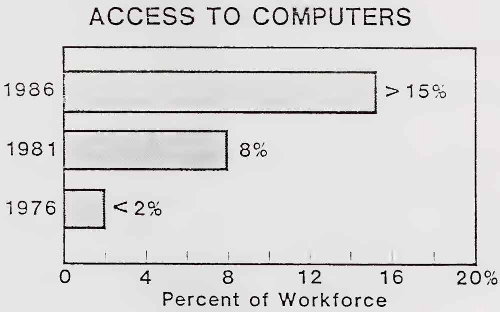
SOUTHERN NEW ENGLAND TELEPHONE COMPANY

SECTION II

INFORMATION SERVICES INDUSTRY OVERVIEW

KEY ISSUES

INPUT



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ECONOMY 1982

- Full Fiscal Year Consequences
- Impact
  - Industry Upheavals
  - Buyer Hesitations
  - Exposed Product Strategy Weaknesses
  - Reduced Company Valuations

ECONOMY 1983

- Reduced Inflation Expectations
- Slow Improvement
- More Long-Term Investments
- Lower-Level Decision-Making
- Shortened Sales Cycles
- Economy Not a Major Factor

KEY ISSUES

- Does RCS Have a Future?
- Will Giant Firms Overrun the Software Products Market?
- Are Lower Profit Margins Inevitable?
- Not "If" to Invest, but "Where"

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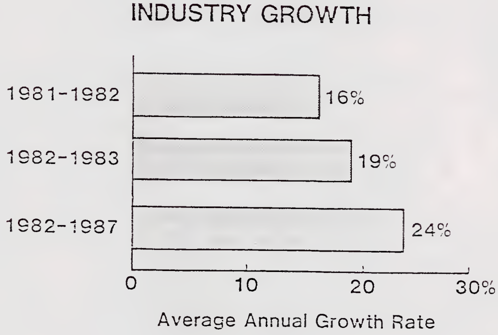
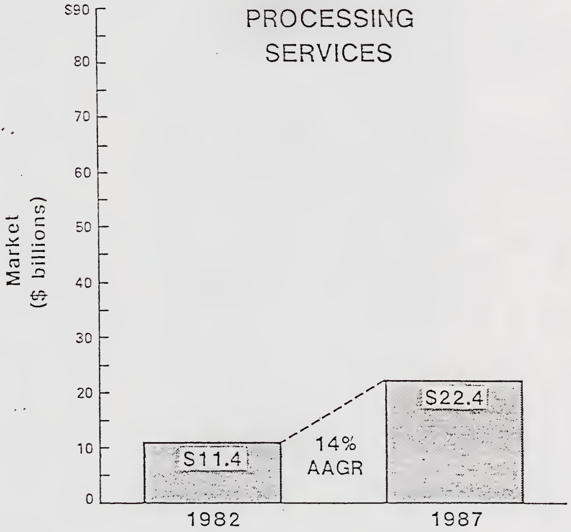

INDUSTRY GROWTH
1981-1982
16%
1982-1983
19%
1982-1987
24%
0
10
20
30%
Average Annual Growth Rate

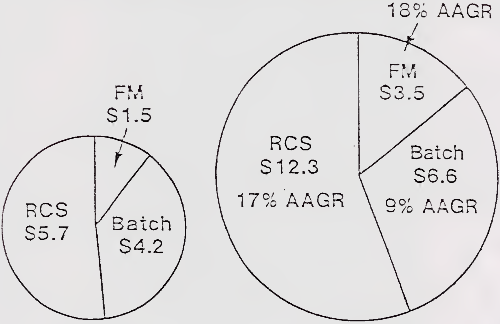
INPUT

FORECAST PARAMETERS

- U.S. Noncaptive Expenditures (Calendar Year)
- Includes Integrated Systems
- Excludes Military Embedded Systems and Classified Projects
- Current Dollars
- AAGR - Average Annual Growth Rate


PROCESSING
SERVICES
Market
($ billions)
$90
80
70
60
50
40
30
20
10
0
$11.4
$22.4
14%
AAGR
1982
1987

PROCESSING SERVICES GROWTH



1982
S11.4 billion

1987
S22.4 billion
14% AAGR

GROWTH OF ON-LINE INFORMATION SERVICES

SERVICE	6/81 CUSTOMERS	3/82 CUSTOMERS	PERCENT GROWTH
Dow-Jones	15,000	40,000	167%
Micronet	15,000	23,000	53
Source	11,000	17,000	55

INPUT

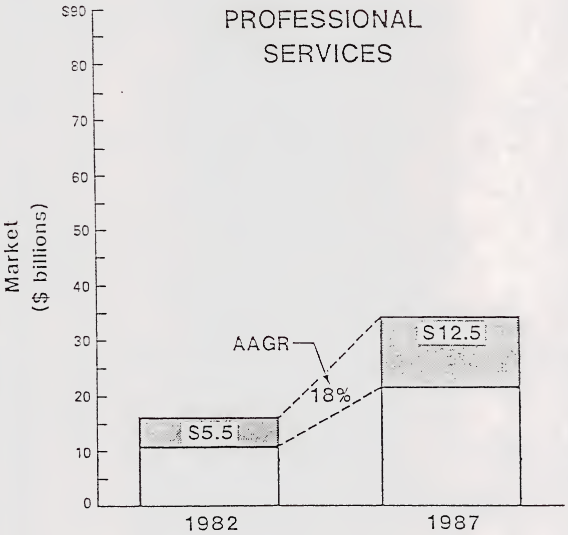
GROWTH OF ON-LINE INFORMATION SERVICES

SERVICE	6/81 CUSTOMERS	3/82 CUSTOMERS	PERCENT GROWTH
Prestel	10,000	16,000	60%
New York Times	2,000	2,500	25
Total	53,000	98,500	86%

128% Annual Growth Rate

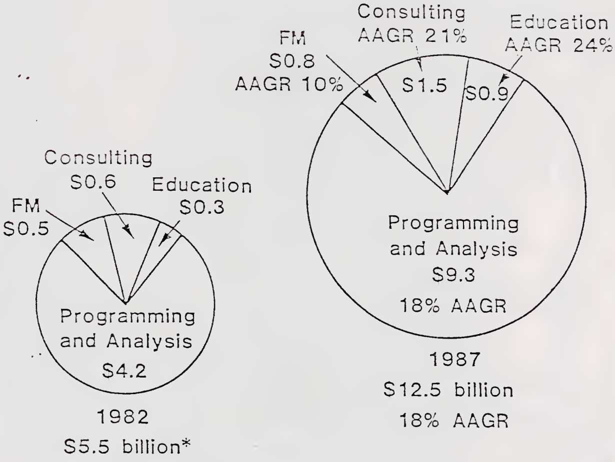
PROCESSING SERVICES CHALLENGES

- Growth Slowdown
- Increased Communications Costs
- Mini-Micro Competition
- People Shortages
- IBM Re-entry
- Hardware/Software Re-Investment



PROFESSIONAL
SERVICES
Market
($ billions)
$90
80
70
60
50
40
30
20
10
0
AAGR
18%
$5.5
$12.5
1982
1987

PROFESSIONAL SERVICES GROWTH



*Does not total due to rounding.

PROFESSIONAL SERVICE CHALLENGES

- Profit Margin Decline
- Proliferation of Technology
- Delivery Mode Options

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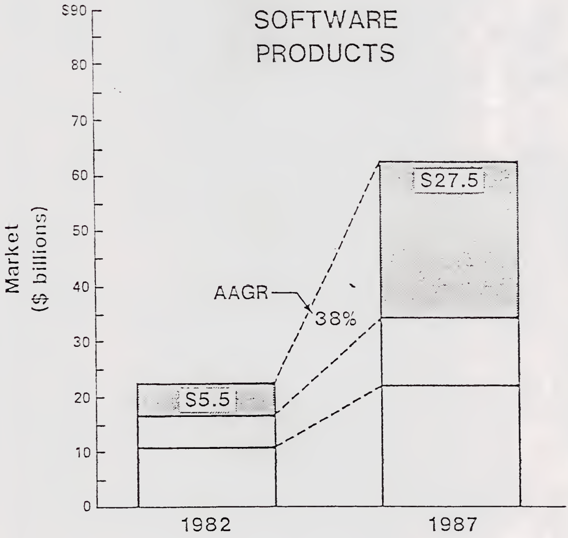
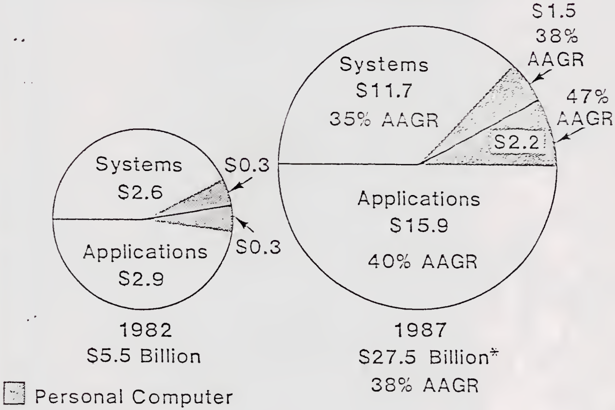
PROFESSIONAL SERVICES OPPORTUNITIES

- Top Management Selling
- More Specialization
- System Ownership
  - Software Products
  - Integrated Systems



SOFTWARE PRODUCTS
$90
80
70
60
50
40
30
20
10
0
Market ($ billions)
AAGR
38%
$27.5
$5.5
1982
1987

SOFTWARE PRODUCTS GROWTH



*Does not total due to rounding.

SOFTWARE PRODUCT CHALLENGES

- Next Generation Software
- Better-Financed Competition
- Growth Sources
- Systems/Application Market Differences

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SOFTWARE PRODUCT OPPORTUNITIES

- Multiple Funding Sources
- Integrated Product Lines
- Personal Computers
- Expanded Distribution Channels
- Acquisitions

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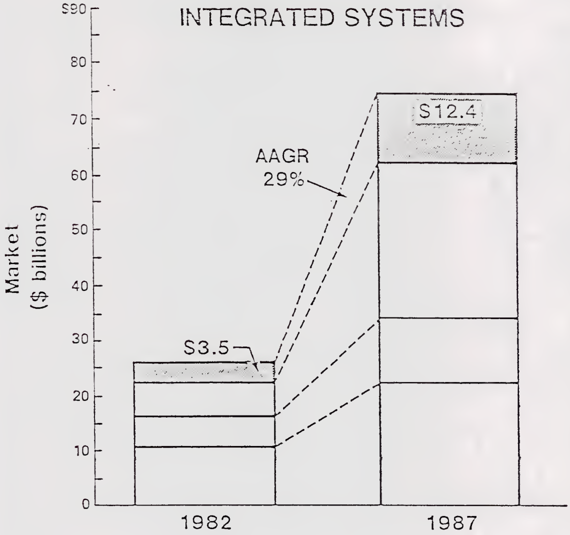
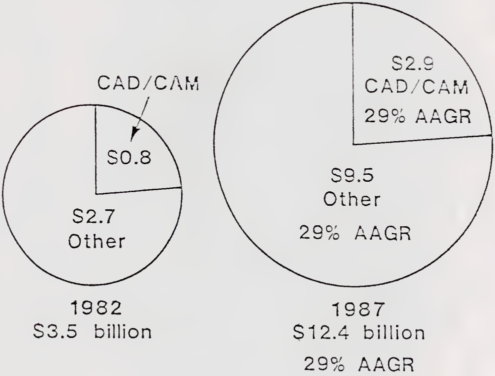

INTEGRATED SYSTEMS
$90
80
70
60
50
40
30
20
10
0
Market
($ billions)
AAGR
29%
$3.5
$12.4
1982
1987

CHALLENGES
INTEGRATED SYSTEMS

- Competition From...
  - Smaller Systems
  - Hardware Manufacturers
  - RCS Vendors
- High Labor Content of Customer Support

INTEGRATED SYSTEMS GROWTH



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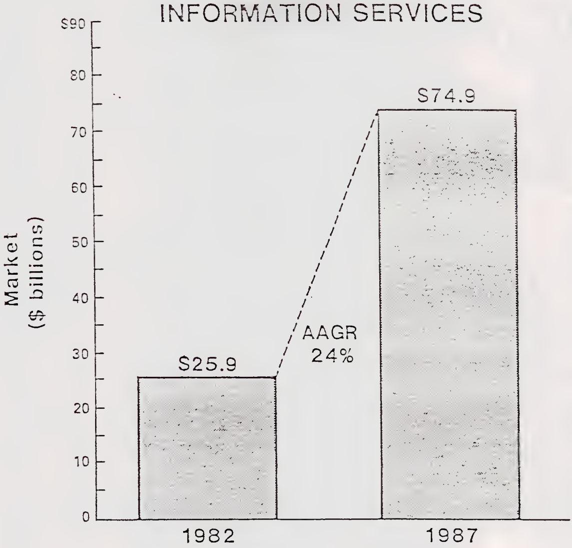
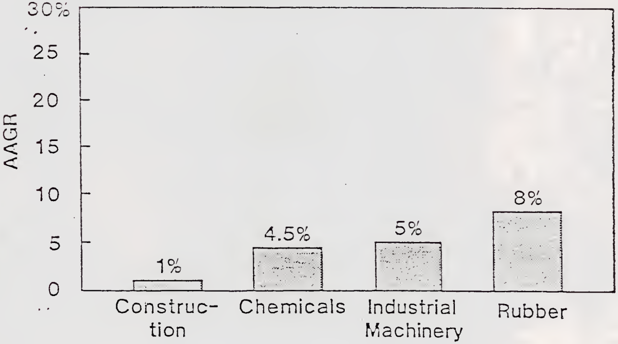
INTEGRATED SYSTEMS OPPORTUNITIES

- Provide More Interfaces
- New Customer Support Methods
- Increased Continuing Revenue
  - Maintenance
  - Support

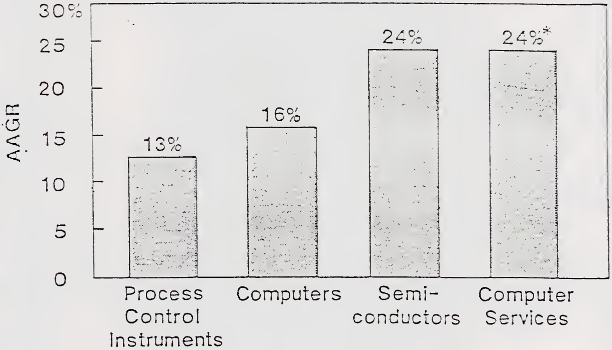

INFORMATION SERVICES
Market ($ billions)
$90
80
70
60
50
40
30
20
10
0
$25.9
$74.9
AAGR 24%
1982
1987

GROWTH RATE COMPARISON WITH OTHER INDUSTRIES 1982-1987



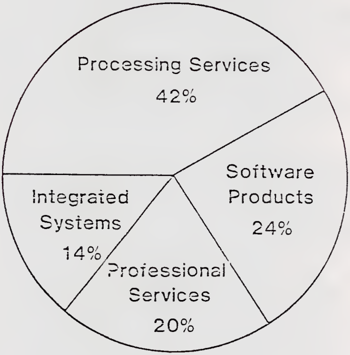
Source: U.S. Industrial Outlook, 1982

GROWTH RATE COMPARISON WITH OTHER INDUSTRIES 1982-1987

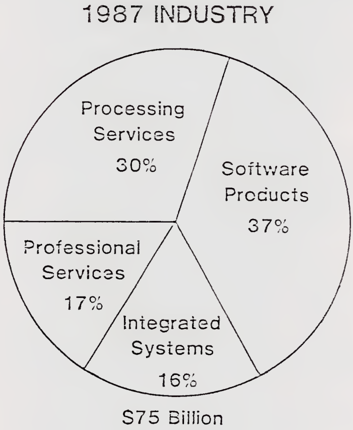


Source: U.S. Industrial Outlook, 1982
*Source: INPUT

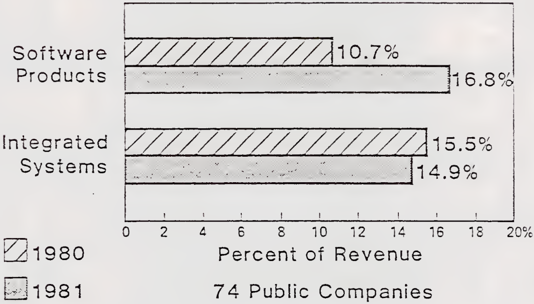
1983 INDUSTRY



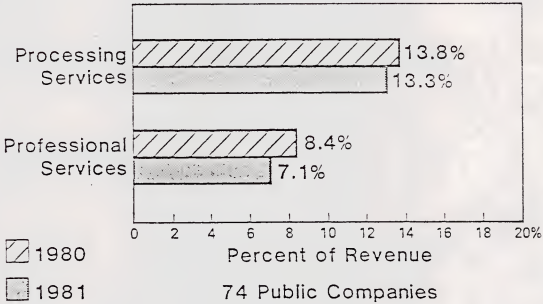
$31 Billion


1987 INDUSTRY
Processing Services 30%
Software Products 37%
Professional Services 17%
Integrated Systems 16%
$75 Billion

PROFIT MARGINS



PROFIT MARGINS



SOUTHERN NEW ENGLAND TELEPHONE COMPANY

SECTION III

DESCRIPTION OF

OPPORTUNITY SELECTION CRITERIA

OPPORTUNITY SELECTION CRITERIA

- EXTERNALLY DRIVEN
  - MARKET ATTRACTIVENESS
- INTERNALLY DRIVEN
  - STRATEGIC FIT
  - MATCH WITH CAPABILITIES
- INTERNAL-EXTERNAL
  - POTENTIAL COMPETITIVE POSITION
  - ECONOMIC ATTRACTIVENESS

MARKET ATTRACTIVENESS SCREENS

- SUBSTANTIAL INDUSTRY SEGMENT SIZE
  - $1 BILLION ANNUAL REVENUE BY 1987
- SUBSTANTIAL INDUSTRY GROWTH POTENTIAL
  - GT 10% ANNUAL GROWTH IN REVENUE
  - GT 13% ANNUAL GROWTH IN PROFITS
- CLEAR AND UNMET CUSTOMER NEEDS

STRATEGIC FIT

- ENHANCE SNET IMAGE AS A TOTAL COMMUNICATIONS COMPANY
- CONTRIBUTE TO A TELECOMMUNICATIONS PORTFOLIO
- BUILD ON COMPETENCES AND RESOURCES
- CONTRIBUTE TO ESTABLISHMENT AND MAINTENANCE OF SHARE POSITION

MATCH WITH CAPABILITIES

SNET-CORPORATE

- KNOWLEDGE OF COMMUNICATION INDUSTRY
- RECOGNIZED NAME WITHIN COMMUNICATION INDUSTRY
- LARGE CUSTOMER BASE
- RECOGNIZED NAME WITHIN CONNECTICUT
- STRONG FINANCIAL POSITION
- AGGRESSIVE MANAGEMENT
- SERVICE ORIENTED
- TRAINING AND CONSULTING EXPERIENCE

MATCH WITH CAPABILITIES ISO - DIVISION

- HIGHLY REGARDED IBM CAPABILITY
- STRONG OPERATIONAL MANAGEMENT
- SERVICE ORIENTED
- TECHNICAL SKILLS AND EXPERIENCE
- NETWORK SKILLS
- APPLICATION SOFTWARE SYSTEMS
  - TELCO/BOC ORIENTED
- ACCUSTOMED TO LARGE VOLUMES

COMPETITIVE POSITION

- CLEAR AND DIFFERENTIAL ADVANTAGE
- OPPORTUNITY TO FUSE FRAGMENTED MARKET
- SIGNIFCANT SHARE POTENTIAL

ECONOMIC ATTRACTIVENESS

- EASY TO ENTER
  - SHORT START-UP TIME
  - REALISTIC CAPITAL REQUIREMENTS
- SUBSTANTIAL PROFIT POTENTIAL
  - GT 12% ANNUAL PROFIT AFTER TAX
  - GT 17% RETURN ON EQUITY
- MINIMUM FINANCIAL EXPOSURE

SOUTHERN NEW ENGLAND TELEPHONE COMPANY

SECTION IV

REVIEW OF
SIGNIFICANT OPPORTUNITIES

INPUT ACTIVITIES

SECONDARY RESEARCH

- INTERVIEWS
  - SNET PERSONNEL
  - INPUT SENIOR CONSULTANTS
- INPUT REPORTS (PARTIAL LIST)
  - USER PLANNING SERVICE REPORT
  - U.S. INFORMATION SERVICES, 1982-1987
  - BANKING AND FINANCE
  - INSURANCE AGENTS AND BROKERS
  - NEW PROCESSING OPPORTUNITIES IN BANKING
  - OPPORTUNITIES IN DISCRETE MANUFACTURING
  - OPPORTUNITIES IN NETWORK SERVICES
  - PERSONAL COMPUTER SOFTWARE OPPORTUNITIES
  - TURNKEY SYSTEMS OPPORTUNITIES
  - ADAPSO ANNUAL REPORT - 1982

INTERVIEW OF SNET PERSONNEL

- CORPORATE PLANNING
  - E. William Kobernusz, Division Manager
- SONECOR SYSTEMS
  - James J. Pitchell, Director Consulting Services
- INFORMATION SYSTEMS
  - Ross L. Miller, Vice President
  - Noreen T. Haffner, Division Manger CRIS
  - Alan P. Haesche, Division Manager Interdepartmental DP
  - Robert F. Spry, Division Manager Computer Operations
  - John J. Cassulo, District Manager Planning
  - Karen A. Ahern, District Manager Systems Support
  - Dean Boissoneau, Senior Technical Consultant
- DIRECTORY
  - Abbott H. Davis, Jr. - Vice President
  - Leon F. Wendelowski - District Manager EIS Group
- TECHNICAL PLANNING
  - Frank E. Wollensack - Vice President

INFORMATION SERVICES INDUSTRY

USER EXPENDITURE FORECAST - 1982*

	PROCESSING SERVICES		PROFESSIONAL SERVICES		SOFTWARE PRODUCTS	INTEGRATED SYSTEMS	
	RCS	BATCH	EDUC.	ALL OTHER	APPLICATION SOFTWARE	FUNCTION SPECIFIC	INDUSTRY SPECIFIC
DISCRETE MFG.	746	494	60	704	494	255	706
PROCESS MFG.	485	723	37	394	187	101	282
TRANSPORTATION	129	68	7	96	98	51	95
UTILITIES	332	84	15	198	54	31	89
BANKING & FINANCE	1141	949	23	334	644	115	363
INSURANCE	238	148	14	304	428	131	70
MEDICAL	249	249	0	112	192	77	98
EDUCATION	59	67	0	94	45	20	54
RETAIL	487	248	7	145	182	121	101
WHOLESALE	228	348	7	121	287	110	120
STATE & LOCAL GOVERNMENT	81	100	52	948	43	21	27
SERVICES	664	342	0	33	128	84	215
TOTAL **	5680	4190	310	5230	2910	1180	2300

* DOLLARS IN MILLIONS

** EXCLUDES FEDERAL GOVERNMENT AND OTHER

INFORMATION SERVICES INDUSTRY

USER EXPENDITURE FORECAST - 1987*

	PROCESSING SERVICES		PROFESSIONAL SERVICES		SOFTWARE PRODUCTS	INTEGRATED SYSTEMS	
	RCS	BATCH	EDUC.	ALL OTHER	APPLICATION SOFTWARE	FUNCTION SPECIFIC	INDUSTRY SPECIFIC
DISCRETE MFG.	1624	741	195	1874	2927	875	2922
PROCESS MFG.	1173	1647	104	1069	1047	319	1041
TRANSPORTATION	275	98	16	178	731	142	248
UTILITIES	642	120	46	520	218	100	233
BANKING & FINANCE	2860	1328	72	957	3794	350	1401
INSURANCE	484	206	39	736	1905	347	243
MEDICAL	619	383	0	279	1215	245	393
EDUCATION	83	81	0	172	132	46	130
RETAIL	1020	334	15	259	935	476	343
WHOLESALE	416	480	13	227	1512	405	404
STATE & LOCAL GOVERNMENT	136	152	120	1697	130	53	64
SERVICES	1414	470	0	69	641	353	900
TOTAL **	12360	6570	900	11640	15860	3900	8530

* DOLLARS IN MILLIONS

** EXCLUDES FEDERAL GOVERNMENT AND OTHER

INFORMATION SERVICES INDUSTRY

AVERAGE ANNUAL GROWTH RATE
1982-87

	PROCESSING SERVICES		PROFESSIONAL SERVICES		SOFTWARE PRODUCTS	INTEGRATED SYSTEMS	
	RCS	BATCH	EDUC.	ALL OTHER	APPLICATION SOFTWARE	FUNCTION SPECIFIC	INDUSTRY SPECIFIC
DISCRETE MFG.	17	8	27	22	43	28	33
PROCESS MFG.	19	18	23	22	41	26	30
TRANSPORTATION	16	8	16	13	49	22	21
UTILITIES	14	8	25	21	32	27	21
BANKING & FINANCE	20	7	26	23	43	25	31
INSURANCE	15	7	22	19	35	21	28
MEDICAL	20	9	0	20	45	26	32
EDUCATION	7	4	0	13	24	18	19
RETAIL	16	6	16	12	39	32	28
WHOLESALE	13	7	13	13	39	30	28
STATE & LOCAL GOVERNMENT	11	9	18	12	25	20	19
SERVICES	16	7	0	15	38	33	33
TOTAL *	17	9	24	18	40	27	30

* EXCLUDES FEDERAL GOVERNMENT AND OTHER

INFORMATION SERVICES INDUSTRY

MARKET SELECTION BY DELIVERY MODE

	PROCESSING SERVICES		PROFESSIONAL SERVICES		SOFTWARE PRODUCTS	INTEGRATED SYSTEMS	
	RCS	BATCH	EDUC.	ALL OTHER	APPLICATION SOFTWARE	FUNCTION SPECIFIC	INDUSTRY SPECIFIC
DISCRETE MFG.	◒		O	◒	◒	O	◒
PROCESS MFG.	◒	◒	O	◒	◒	O	◒
TRANSPORTATION	O		O		O	O	O
UTILITIES			O	O	O	O	O
BANKING & FINANCE	◒		O	O	◒	O	◒
INSURANCE			O	O	◒	O	O
MEDICAL	O			O	◒	O	O
EDUCATION					O	O	O
RETAIL	◒		O		O	O	O
WHOLESALE					◒	O	O
STATE & LOCAL GOVERNMENT			O		O	O	O
SERVICES	◒				O	O	O
AVERAGE AAGR	17	9	24	18	40	27	30

LEGEND:

O: 1982-87 AAGR GT 15%

◒: AND, MARKET/SERVICE SEGMENT 1987 EXPENDITURE GT $1B

INFORMATION SERVICES INDUSTRY

MARKET SELECTION BY DELIVERY MODE

	PROCESSING SERVICES		PROFESSIONAL SERVICES		SOFTWARE PRODUCTS	INTEGRATED SYSTEMS	
	RCS	BATCH	EDUC.	ALL OTHER	APPLICATION SOFTWARE	FUNCTION SPECIFIC	INDUSTRY SPECIFIC
DISCRETE MFG.	◒			◒	◒		◒
PROCESS MFG.	◒	◒		◒	◒		◒
TRANSPORTATION							
UTILITIES							
BANKING & FINANCE	◒	O			◒		◒
INSURANCE					O		
MEDICAL					◒		
EDUCATION							
RETAIL	O						
WHOLESALE					O		
STATE & LOCAL GOVERNMENT				O			
SERVICES	O						
AVERAGE AAGR	17	9	24	18	40	27	30

LEGEND:

O: MARKET/SERVICE SEGMENT 1987 EXPENDITURE GT $1B

◒: AND, AAGR GT OR EQ SERVICE SEGMENT AVERAGE

AREAS OF OPPORTUNITY

	DISCRETE MANUFACTURING	UTILITIES AND COMMUNICATIONS	BANKING AND FINANCE	INSURANCE	RETAIL	WHOLESALE
PROCESSING SERVICES	X					
BILLING		X		X		
ORDER ENTRY/INQUIRY		X			X	X
NETWORK SERVICES	X	X	X	X	X	X
PROFESSIONAL SERVICES						
CONSULTING	X	X	X	X		
TRAINING		X			X	X
SOFTWARE PRODUCTS						
BILLING		X		X		
COMMUNICATIONS		X				
INTEGRATED SYSTEMS SMALL TO MEDIUM SIZE BUSINESSES	X	X	X	X	X	X

INDUSTRY: DISCRETE MANUFACTURING

MARKET ATTRACTIVENESS

- EXPENDITURES AND GROWTH

	1981		1982		1987		1992
REVENUE (000,000)	$3,514		$4,160		$14,544		$40,945
AAGR		18%		28%		23%	

- TRENDS
  - PROCESSES BECOMING MORE COMPLEX
  - INCREASING COMPETITION, INCLUDING FOREIGN
  - NEED TO BRING PRODUCTS TO MARKET FASTER
  - NEED FOR EXTENSIVE PLANNING, SCHEDULING, TRACKING, AND ACCOUNTING

INDUSTRY: DISCRETE MANUFACTURING - CONT'D.

- CONNECTICUT CONCENTRATION
  - 2ND IN NUMBER OF CONNECTICUT BUSINESS FIRMS (8827)
  - 1ST IN TOP 1500 SNET REVENUE LIST (382)
  - 1ST IN TOP 1500 DUNS LIST (386)
  - 2ND IN TOP 10,000 DUNS LIST (1714)

INDUSTRY: DISCRETE MANUFACTURING - CONT'D.

- DESCRIPTION OF OPPORTUNITIES

  - PROCESSING SERVICES: INVENTORY CONTROL

  - PROFESSIONAL SERVICES: CONSULTING AND DESIGN FOR PRODUCTIVITY AID DEVELOPMENT AND LARGE SYSTEMS SOFTWARE

  - INTEGRATED SYSTEMS: INVENTORY MANAGEMENT AND FORECASTING APPLICATIONS

  - NETWORK SERVICES: PROVIDING COMMUNICATIONS AND PROCESSING AMONG SUPPLIERS, MANUFACTURERS AND DISTRIBUTORS

INDUSTRY: DISCRETE MANUFACTURING - CONT'D.

- MATCH WITH SNET CAPABILITIES
  - RECOGNIZED NAME IN CONNECTICUT
  - SERVICE ORIENTED
  - TECHNICAL SKILLS
  - NETWORK SKILLS
  - EXISTING CUSTOMER BASE WITHIN THE INDUSTRY
- STRATEGIC FIT
  - UTILIZE AVAILABLE TECHNOLOGY
  - DEMONSTRATES COMMITMENT TO GROWTH
  - ENHANCES IMAGE IN INVESTMENT COMMUNITY
- DIFFERENTIAL ADVANTAGE
  - COMPUTER SERVICE NEED HAS BECOME CRITICAL FOR SMALL MANUFACTURERS
  - ABILITY TO SATISFY NETWORK PROCESSING NEEDS

INDUSTRY: DISCRETE MANUFACTURING - CONT'D.

ASSESSMENT OF OPPORTUNITY

- POSITIVE FACTORS
  - GROWING INTEREST IN SOFTWARE, PROFESSIONAL SERVICES, AND SMALL SYSTEMS
  - LARGEST AND FASTEST GROWING SECTOR
  - "INSATIABLE" COMPUTER SERVICES NEEDS
- NEGATIVE FACTORS
  - VERY DIVERSE AND COMPLEX BUSINESS
  - MUCH TURNOVER OF STARTUPS AND FAILURES
  - REQUIRES CONSTANT UPGRADES OF COMPUTING CAPABILITY
  - REQUIRES A KNOWLEDGE OF A FOREIGN APPLICATION
- OVERALL RATING
  - LOW TO MEDIUM

INDUSTRY: UTILITIES AND COMMUNICATIONS

COMMUNICATIONS

- TELEPHONE COMPANIES
- CELLULAR
- CABLE TELEVISION

UTILITIES

- GAS
- ELECTRIC
- WATER

MARKET ATTRACTIVENESS

- EXPENDITURES AND GROWTH
  - UTILITIES

	1981		1982		1987		1992
REVENUES (000,000)	$805		$928		$2,307		$5,264
AAGR		15%		20%		18%	

INDUSTRY: UTILITIES AND COMMUNICATIONS - CONT'D.

- SERVICES (INCLUDING COMMUNICATIONS)

	1981		1982		1987		1992
REVENUE (000,000)	$1,314		$1,525		$4,078		$9,732
AAGR		16%		22%		19%	

- TRENDS
  - ANNUAL GROWTH RATE GREATER THAN 15%
  - REQUIREMENTS FOR DATA BASE ORIENTED SYSTEMS
  - ERGONOMIC I/O DESIGNS
  - $1.1 BILLION MICROCOMPUTER INDUSTRY BY 1987
  - USER OF INFORMATION SERVICES AS A COMPETITIVE TOOL

INDUSTRY: UTILITIES AND COMMUNICATIONS

- CONNECTICUT CONCENTRATION
  - UTILITIES
    - 8TH IN NUMBER OF CONNECTICUT BUSINESSES (2914)
    - 3RD IN TOP 1500 SNET REVENUE LIST (141)
    - 13TH IN TOP 1500 DUNS LIST (30)
    - 9TH IN TOP 10,000 DUNS LIST (96)
  - SERVICES (INCLUDING COMMUNICATIONS)
    - 3RD IN NUMBER OF CONNECTICUT BUSINESSES (8034)
    - 5TH IN TOP 1500 SNET REVENUE LIST (131)
    - 7TH IN TOP 1500 DUNS LIST (54)

INDUSTRY: UTILITIES AND COMMUNICATIONS-CONT'D

- DESCRIPTION OF OPPORTUNITY

    - PROCESSING SERVICES: LARGE TRANSACTIONS INCLUDING BILLING

    - NETWORK SERVICES: FOR CABLE TELEVISION SYSTEMS

    - PROFESSIONAL SERVCES: CONSULTING ON INFORMATION CENTER MANAGEMENT AND MICROCOMPUTER UTILIZATION

    - SOFTWARE PRODUCTS: SALES OF EXISTING PRODUCTS (SERVICE ORDERS, TOLL MESSAGES, DIRECTORY, CUSTOMER SUPPORT, INVENTORY)

    - INTEGRATED SYSTEMS: SYSTEM MANAGEMENT FOR CATV

- MATCH WITH SNET CAPABILITIES

    - STRONG PROCESSING CAPABILITY

    - PROVEN BILLING SYSTEM

    - ABILITY TO PROCESS HIGH VOLUME, LOW LEVEL OF DETAIL TRANSACTIONS

    - BILLING SYSTEMS EXPERTISE

    - KNOWLEDGE OF INDUSTRY

INDUSTRY: UTILITIES AND COMMUNICATIONS

- STRATEGIC FIT
  - UTILIZES EXISTING HARDWARE AND SOFTWARE
  - DEFENDS/ENHANCES LOB'S IN COMMUNICATIONS
  - UTILIZES SKILLS AND RESOURCES
  - ENHANCES IMAGE AS A TOTAL COMMUNICATIONS COMPANY
- DIFFERENTIAL ADVANTAGE
  - STRONG CATV DISSATISFACTION WITH PRIMARY CURRENT VENDOR
  - COULD BE FIRST LARGE-SCALE QUALITY PROVIDER
  - UNMET CUSTOMER NEEDS
  - COMBINE CATV AND TELEPHONE BILLS
  - PROVEN ABILITY TO RUN LARGE VOLUMES
  - KNOWLEDGE OF INDUSTRIES
  - RECOGNIZED NAME IN INDUSTRY

INDUSTRY: UTILITIES AND COMMUNICATIONS

- ASSESSMENT OF OPPORTUNITIES
  - POSITIVE FACTORS
    - SHORT START-UP TIME
    - EASY TO ENTER
    - KNOWLEDGE OF INDUSTRY
    - RECOGNIZED NAME
    - COMPETITION'S SYSTEMS ARE DATED
    - STRONG NEED FOR COMPUTER SERVICES BY TELEPHONE COMPANIES
  - NEGATIVE FACTORS
    - CURRENT BILLING SYSTEM IS TOO LARGE
    - POSSIBLE COMPETITION FROM CINCINNATI BELL
    - OTHER TELECOS HAVE SYSTEMS THEY MAY TRY TO MARKET
    - VERY DIVERSE BUSINESSES
    - EXTENSIVE COMPETITION FOR TELCO EXPENDITURES
  - OVERALL RATING
    - HIGH

INDUSTRY: BANKING AND FINANCE

MARKET ATTRACTIVENESS

- EXPENDITURES AND GROWTH

	1981		1982		1987		1992
REVENUE (000,000)	$3,697		$4,341		$12,946		$36,067
AAGR		17%		24%		21%	

- TRENDS
  - MORE AGGRESSIVE DUE TO REGULATORY CHANGES AND INCREASED COMPETITION FROM NON-BANKING COMPANIES
  - INCREASES IN TRANSACTION PROCESSING
  - MOVEMENT TOWARD APPLICATION INTEGRATION
  - STRONG REQUIREMENT FOR USER-FRIENDLY SOFTWARE

INDUSTRY: BANKING AND FINANCE - CONT'D.

- CONNECTICUT CONCENTRATION
  - 12TH IN NUMBER OF CONNECTICUT BUSINESSES (2510)
  - 4TH IN TOP 1500 SNET REVENUE LIST (135)
  - 5TH IN TOP 1500 DUNS LIST (95)
  - 8TH IN TOP 10,000 DUNS LIST (186)

INDUSTRY: BANKING & FINANCE CONT'D

- DESCRIPTION OF OPPORTUNITY

  - NETWORK SERVICES: INTER-INDUSTRY BANKING (BANKS AND RETAILERS)

  - PROFESSIONAL SERVICES: SOFTWARE APPLICATION DEVELOPMENT OF FINANCIAL PLANNING TOOLS AND CASH MANAGEMENT PROCESSING

  - INTEGRATED SYSTEMS: PERSONAL TRUSTS, ELECTRONIC FUNDS TRANSFER, SAVINGS AND LOAN PLANNING

- MATCH WITH SNET CAPABILITIES

  - RECOGNIZED NAME WITHIN CONNECTICUT

  - EXISTING CUSTOMER BASE WITHIN INDUSTRY

  - TRAINING AND CONSULTING EXPERIENCE

  - TECHNICAL SKILLS AND EXPERIENCE

  - LARGE VOLUME TRANSACTIONS

INDUSTRY: BANKING AND FINANCE - CONT'D

- STRATEGIC FIT
  - OPPORTUNITY TO ACHIEVE SIGNIFICANT REVENUE AND PROFIT GROWTH
  - UTILIZE PERSONNEL RESOURCES
  - ENHANCES IMAGE IN ANOTHER "GLAMOR" INDUSTRY
- DIFFERENTIAL ADVANTAGE
  - END-TO-END SERVICE TO CUSTOMER
  - NETWORK AND TECHNICAL EXPERTISE

INDUSTRY: BANKING & FINANCE-CONT'D

- ASSESSMENT OF OPPORTUNITIES

  - POSITIVE FACTORS

    - LARGE NUMBER OF INDEPENDENT BANKS WITHIN THE STATE

  - NEGATIVE FACTORS

    - MOVEMENT TO IN-HOUSE SYSTEMS
    - LIMITED EXPERIENCE IN BANKING AND FINANCE
    - POSSIBLE COMPETITION FROM AMERICAN BELL

  - OVERALL RATING

    - MEDIUM TO HIGH

INDUSTRY: INSURANCE

MARKET ATTRACTIVENESS

- EXPENDITURES AND GROWTH

	1981		1982		1987		1992
REVENUE (000,000)	\$1,554		\$1,819		\$5,397		\$13,415
AAGR		17%		24%		20%	

- TRENDS
  - REMAINED STRONG DURING RECESSION
  - COMPETITION INCREASING WITH BANKING AND FINANCE SECTOR
  - LARGE COMPANIES MOVING PROCESSING IN-HOUSE
  - INDUSTRY IS A TARGET FOR SMALL COMPUTERS

INDUSTRY: INSURANCE - CONT'D.

- CONNECTICUT CONCENTRATION
  - 11TH IN NUMBER OF CONNECTICUT BUSINESS FIRMS (2520)
  - 7TH IN TOP 1500 SNET REVENUE LIST (91)
  - 9TH IN TOP 1500 DUNS LIST (42)
  - 7TH IN TOP 10,000 DUNS LIST (233)

INDUSTRY: INSURANCE - CONT'D

- DESCRIPTION OF OPPORTUNITY

  - PROCESSING SERVICES: INTER-INDUSTRY (COMPANY AND BROKER) COMMUNICATION AND PROCESSING. LARGE VOLUME BILLING SERVICES

  - PROFESSIONAL SERVICES: OPERATIONAL CONSULTING TO EDP MANAGEMENT AND TRAINING OF PROGRAMMING AND SYSTEMS STAFF. MICRO AND MINI TO MAINFRAME INTERFACES

  - SOFTWARE PRODUCTS: BILLING SYSTEMS TO SMALL AND MEDIUM SIZED COMPANIES.

  - INTEGRATED SYSTEMS: MINIS AND MICROS FOR AGENCY ACCOUNTING AND MANAGEMENT

- MATCH WITH SNET CAPABILITIES

  - RECOGNIZED NAME WITHIN CONNECTICUT

  - SERVICE ORIENTED INDUSTRY

  - EXTENSIVE USER OF OUTSIDE TRAINING AND CONSULTING

  - INDUSTRY'S MAINFRAMES ARE PREDOMINANTLY IBM

  - COMPANIES DEAL WITH LARGE VOLUMES OF INFORMATION

INDUSTRY: INSURANCE-CONT'D

- STRATEGIC FIT
  - UTILIZES EXISTING PROCESSING AND NETWORK CAPABILITIES
  - UTILIZES SKILLS AND EXPERIENCE
- DIFFERENTIAL ADVANTAGE
  - CONCENTRATION OF THE INSURANCE INDUSTRY WITHIN THE STATE
  - PROXIMITY OF SNET TO PROCESSING REQUIREMENTS

INDUSTRY: INSURANCE-CONT'D

- ASSESSMENT OF OPPORTUNITY

  - POSITIVE FACTORS

    - SNET EXPERIENCE WITH BILLING SYSTEMS AND PROCEDURES

    - SIGNIFICANT NETWORK REQUIREMENTS

  - NEGATIVE FACTORS

    - LARGE COMPANIES STRONGLY ORIENTED TOWARD IN-HOUSE PROCESSING

    - LIMITED EXPERIENCE WITH INSURANCE APPLICATIONS AND REQUIREMENTS

  - OVERALL RATING

    - MEDIUM TO HIGH

INDUSTRY: RETAIL

MARKET ATTRACTIVENESS

- EXPENDITURES AND GROWTH

	1981		1982		1987		1992
REVENUE (000,000)	$1,227		$1,396		$3,781		$10,219
AAGR		14%		22%		22%	

- TRENDS
  - INCREASING IN NUMBER OF ESTABLISHMENTS
  - STRONG ACTIVITY IN REMOTE COMPUTING AND INTEGRATED SYSTEMS

- CONNECTICUT CONCENTRATION
  - 1ST IN NUMBER OF CONNECTICUT BUSINESS FIRMS (25,865)
  - 11TH IN TOP 1500 SNET REVENUE LIST
  - 3RD IN TOP 1500 DUNS LIST (212 FIRMS)
  - 1ST IN TOP 10,000 DUNS LIST (2,318 FIRMS)

INDUSTRY: RETAIL-CONT'D

- MATCH WITH SNET CAPABILITIES
  - LOW LEVEL OF DETAIL REQUIRED
  - LARGE VOLUME PROCESSING
  - RESPECTED AND KNOWN BUSINESS "PARTNER"
  - LARGE EXISTING CUSTOMER BASE
  - TRAINING AND CONSULTING EXPERIENCE
  - SERVICE ORIENTED MANAGEMENT
  - NETWORK EXPERTISE
- STRATEGIC FIT
  - ENHANCES IMAGE AS A COMMUNICATIONS COMPANY
  - ENHANCES EXISTING LOB'S
  - DEMONSTRATES COMMITMENT TO GROWTH INDUSTRIES

INDUSTRY: RETAIL-CONT'D

- DIFFERENTIAL ADVANTAGE
  - TRUSTED NAME WITHIN CONNECTICUT
  - NETWORK AND TECHNICAL EXPERTISE
  - EXISTING CUSTOMER BASE
  - EXPERIENCE IN DEALING WITH THESE CUSTOMERS
- ASSESSMENT OF OPPORTUNITY
  - POSITIVE FACTORS
    - REASONABLE GROWTH INDUSTRY
  - NEGATIVE FACTORS
    - LIMITED APPLICATION KNOWLEDGE
    - EXISTING SOFTWARE ORIENTED TOWARD LARGE VOLUME PROCESSING REQUIREMENTS
  - OVERALL RATING
    - MEDIUM

INDUSTRY: RETAIL-CONT'D

- DESCRIPTION OF OPPORTUNITY
  - PROCESSING SERVICES: ORDER ENTRY/INQUIRY
  - NETWORK SERVICES: DATA COMMUNICATIONS BETWEEN WHOLESALERS AND THEIR AREA RETAILERS
  - PROFESSIONAL SERVICES: SYSTEM SPECIFICATIONS AND END-USER TRAINING
  - INTEGRATED SYSTEMS: SMALL BUSINESS MANAGEMENT, INVENTORY CONTROL

INDUSTRY: WHOLESALE

MARKET ATTRACTIVENESS

- EXPENDITURES AND GROWTH

	1981		1982		1987		1992
REVENUE (000,000)	$1,146		$1,346		$3,910		$9,729
AAGR		17%		24%		20%	

- TRENDS
  - MANY SMALL BUSINESSES
  - NATIONWIDE 44% OF THE REVENUE IS FROM THE DISTRIBUTION OF PETROLEUM PRODUCTS
  - RECENT INCREASES IN PURCHASE OF INTEGRATED SYSTEMS AND APPLICATION SOFTWARE

- CONNECTICUT CONCENTRATION
  - 5TH IN NUMBER OF CONNECTICUT BUSINESS FIRMS (6605)
  - 2ND IN TOP 1500 SNET REVENUE LIST (163)
  - 2ND IN TOP 1500 DUNS LIST (249)
  - 3RD IN TOP 10,000 DUNS LIST (1602)

INDUSTRY: WHOLESALE-CONT'D

- DESCRIPTION OF OPPORTUNITY

  - PROCESSING SERVICES: ORDER ENTRY/INQUIRY
  - NETWORK SERVICES: DATA COMMUNICATIONS BETWEEN WHOLESALERS AND THEIR AREA RETAILERS
  - PROFESSIONAL SERVICES: SYSTEM SPECIFICATIONS AND END-USER TRAINING
  - INTEGRATED SYSTEMS: SMALL BUSINESS MANAGEMENT, INVENTORY CONTROL

INDUSTRY: WHOLESALE-CONT'D

- MATCH WITH SNET CAPABILITIES
  - LOW LEVEL OF DETAIL REQUIRED
  - LARGE VOLUME PROCESSING
  - RESPECTED AND KNOWN BUSINESS "PARTNER"
  - LARGE EXISTING CUSTOMER BASE
  - TRAINING AND CONSULTING EXPERIENCE
  - SERVICE ORIENTED MANAGEMENT
  - NETWORK EXPERTISE
- STRATEGIC FIT
  - ENHANCES IMAGE AS A COMMUNICATIONS COMPANY
  - ENHANCES EXISTING LOB'S
  - DEMONSTRATES COMMITMENT TO GROWTH INDUSTRIES

INDUSTRY: WHOLESALE-CONT'D

- DIFFERENTIAL ADVANTAGE

  - TRUSTED NAME WITHIN CONNECTICUT
  - NETWORK AND TECHNICAL EXPERTISE
  - EXISTING CUSTOMER BASE
  - EXPERIENCE IN DEALING WITH THESE CUSTOMERS

- ASSESSMENT OF OPPORTUNITY

  - POSITIVE FACTORS

    - REASONABLE GROWTH INDUSTRY

  - NEGATIVE FACTORS

    - LIMITED APPLICATION KNOWLEDGE
    - EXISTING SOFTWARE ORIENTED TOWARD LARGE VOLUME PROCESSING REQUIREMENTS

  - OVERALL RATING

    - LOW TO MEDIUM

SOUTHERN NEW ENGLAND TELEPHONE COMPANY

SECTION V

EXAMPLES OF

REJECTED OPPORTUNITIES

AREAS OF OPPORTUNITY CONSIDERED BUT REJECTED

AREA	FACTORS POSITIVE	FACTORS NEGATIVE
Bookstore Management	• Growth Area	• Market Too Small
Computer Aided Education (CAI)	• Growing Need	• Too Much Missionary Work
Decision Support	• Large Market	• Large Company Only, No Unique Package
Energy Management	• Growth Area • Products Just Emerging	• Very Specialized Knowledge Base
Federal Government	• Large, Volatile Market	• High Risk • Long Lead Time • Unique
Financial Software	• Large, Volatile Market	• Little Experience

AREAS OF OPPORTUNITY CONSIDERED BUT REJECTED - CONT'D.

AREA	FACTORS	
	POSITIVE	NEGATIVE
Higher Education EDP Facilities Management	• ISO Management	• Soft Market
Manufacturing Automation	• Large Growing Market	• High Technology • Hardware Key Part of Product
Office Automation	• Large Market	• Competition from Integrated Systems
Property Management Systems	• New Products/ Service	• No Companies of Acquirable Size
Systems Software	• High Potential	• Hardware Expertise
Tax Preparation	• Extensive Market • Known Customer Base	• Requires Credibility of CPA Firms

SOUTHERN NEW ENGLAND TELEPHONE COMPANY

SECTION VI

RECOMMENDATIONS

INPUT

RECOMMENDATIONS

- ESTABLISH A SNET SERVICE CENTER
  - SUPPORT EXISTING REGULATED APPLICATION REQUIREMENTS
    - TIMESHARING
    - BATCH PROCESSING
    - APPLICATION SUPPORT
  - MARKET TO AND CAPTURE UNREGULATED APPLICATION REQUIREMENTS
    - SYSTEM SPECIFICATION AND DEVELOPMENT
    - SYSTEM IMPLEMENTATION AND TRAINING
    - FACILITIES MANAGEMENT
    - MINI AND MICRO UTILIZATION
    - MINI AND MICRO INTERFACE TO THE IBM MAINFRAME
  - LEVERAGE SUCCESS WITH UNREGULATED BUSINESS TO GO "COMMERCIAL"

RECOMMENDATIONS-CONT'D

- ACCELERATE DISCUSSIONS WITH IDENTIFIED TELCO'S TO SELL AND INSTALL COMPATIBLE SYSTEMS
- CONTINUE DISCUSSIONS WITH THIRD PARTY SOFTWARE COMPANIES TO:
  - SELL SNET SOFTWARE NATIONWIDE
  - PROVIDE SNET WITH SOFTWARE THAT CAN BE SOLD TO IDENTIFIED MARKETS IN CONNECTICUT
- CONDUCT DETAILED MARKET RESEARCH ON THE SYSTEMS AND PROCESSING REQUIREMENTS OF:
  - THE NATIONWIDE CATV INDUSTRY
  - THE CONNECTICUT BANKING INDUSTRY
  - CONNECTICUT'S INSURANCE COMPANY/BROKER MARKET